

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7394**

**BILL NUMBER:** HB 1173

**NOTE PREPARED:** Apr 10, 2007

**BILL AMENDED:** Apr 5, 2007

**SUBJECT:** State Police Pension Benefits.

**FIRST AUTHOR:** Rep. Cochran

**FIRST SPONSOR:** Sen. Kruse

**BILL STATUS:** As Passed Senate

**FUNDS AFFECTED:** ☒ GENERAL  
☒ DEDICATED  
☐ FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill provides a COLA in each of the next two state fiscal years to retired or disabled members of the State Police 1987 Benefit System. It also changes the manner in which the supplemental benefit for retired or disabled members of the State Police Pre-1987 Benefit System is calculated.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** The fiscal impact of this proposal appears below.

	As Provisions Apply to the 1987 Benefit System	Supplemental Benefits
Increase in Actuarial Liability FY 2008	\$968,000	\$11.7 M
Increase in Actuarial Liability FY 2009	\$977,680	
Increase in Annual Funding FY 2008	\$74,700	(see below)
Annual Funding Required for FY 2009	\$150,147	
Increase in Annual Funding as a % of Payroll	0.1%	(see below)

Since the supplemental benefits are paid on a "pay-as-you-go" basis, the following table provides a rough estimate of the increase in supplemental benefits that would be payable over the next five years as a result

of this bill.

<u>Plan Year</u>	<u>Change in Expected Benefit Payouts</u>
2007-2008	\$343,200
2008-2009	\$519,900
2009-2010	\$547,400
2010-2011	\$558,700
2011-2012	\$588,500

The above are estimates based on 2006 data.

The funds affected are the state General Fund (50%) and the Motor Vehicle Highway Account (50%).

[Revised] *Background Information:* SECTION 1 of the proposal increases benefits paid to current retired members of the State Police 1987 Benefit System. The increase is effective July 1, 2007, and is equal to 1% of the participant's benefit, but not greater than 1% of the maximum basic monthly benefit payable to a retired trooper (\$1,984 effective July 2, 2006).

SECTION 2 of the proposal increases benefits paid to current retired members of the State Police 1987 Benefit System. The increase is effective July 1, 2008, and is equal to 1% of the participant's benefit, but not greater than 1% of the maximum basic monthly benefit payable to a retired trooper (\$1,984 effective July 2, 2006).

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** State Police.

**Local Agencies Affected:**

**Information Sources:** Doug Todd of McCready & Keane, Inc., actuaries for the State Police, 317-576-1508.

**Fiscal Analyst:** James Sperlik, 317-232-9866.

**DEFINITIONS**

**Actuarial Liability** - The actuarial liability of a retirement system at any time is the excess of the present

value of all benefits thereafter payable under the system over the present value of future normal costs.

Funding - A systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.

Pay-As-You-Go Method, sometimes called current disbursement cost method, is a method of recognizing the costs of a retirement system only as benefits are paid.

Supplemental Benefits - Benefits provided by a pension plan in addition to regular retirement benefits. Supplemental benefits vary according to the terms of a plan and include such items as the payment of benefits in the event of termination, death, disability, or early retirement.

Unfunded Actuarial Liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.